

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1039 - SB 1402

April 21, 2021

SUMMARY OF ORIGINAL BILL: Changes the date, from February 1 to February 14, by which the Commissioner of the Department of Labor and Workforce Development must annually provide a report to the General Assembly which details the condition of the Unemployment Compensation Fund.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (007386): Deletes all language after the enacting clause. Makes changes to the amount of maximum unemployment benefits. Increases weekly benefits by \$25 for claimants with average wages of \$780.01 up to \$4,420 and by \$50 for claimants with average wages of \$4,420.01 and up. Establishes that any eligible claimant is entitled during any benefit year a total amount of benefits equal to the following:

- Twelve weeks if the state's average unemployment rate is at or below five and five-tenths percent (5.5%);
- An additional week in addition to the 12 weeks for each five-tenths percent (0.5%) increment in the state's average unemployment rate above five and five-tenths percent (5.5%); or
- Up to a maximum of 20 weeks if the state's average unemployment rate exceeds nine percent (9%)

These benefit changes shall take effect December 1, 2023.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$250,000/FY22-23/General Fund

Decrease State Expenditures – Net Impact -

\$13,999,800/FY23-24/Unemployment Insurance Trust Fund

\$24,013,400/FY24-25 and Subsequent Years/

Unemployment Insurance Trust Fund

Assumptions for the bill as amended:

- The changes are effective December 1, 2023.
- Currently, maximum unemployment benefits are equal to the following:
 - Twenty-six times the claimant's weekly benefit amount; or
 - One-fourth of the claimant's wages for insured work paid during the claimant's base period.
- Based on information provided by the Boyd Center, a reduction in the duration of payments is estimated to result in a recurring decrease in state expenditures from the Unemployment Insurance Trust Fund (Fund) of approximately \$49,400,000, beginning in FY24-25.
- This legislation will increase weekly benefits by \$25 for claimants with average wages of \$780.01 up to \$4,420 and by \$50 for claimants with average wages of \$4,420.01 and up, resulting in a significant increase in state expenditures from the Fund.
- Based on information provided by the Boyd Center, the recurring increase in state expenditures from the Fund, *if weekly benefits are increased by \$50 for all claimants*, is estimated to be approximately \$31,733,300, beginning in FY24-25.
- The Department of Labor and Workforce Development did not provide specific data to the Fiscal Review Committee staff for a timely analysis of the precise impact of the provisions of this legislation impacting the level of weekly unemployment benefits. However, for the purposes of this analysis, it is assumed that increasing weekly benefits by \$25 for claimants with average wages of \$780.01 up to \$4,420 and by \$50 for claimants with average wages of \$4,420.01 and up will result in a 20 percent reduction in increased expenditures relative to the level of such increase that would be incurred if weekly benefits are increased by \$50 for all claimants.
- Therefore, the recurring increase in state expenditures from the Fund is estimated to be \$25,386,640 ($\$31,733,300 \times 80\%$), beginning in FY24-25.
- The recurring net decrease in state expenditures from the Fund is estimated to be \$24,013,360 ($\$49,400,000 - \$25,386,640$), beginning in FY24-25.
- In FY23-24, the impact will be equal to approximately 58.3 percent (7 months / 12 months) of the of the estimated \$24,013,360 recurring net decrease in state expenditures, or a net decrease in state expenditures from the Fund of \$13,999,789 ($\$24,013,360 \times 58.3\%$).
- The Department of Labor and Workforce Development will incur a one-time increase in state expenditures from the General Fund of \$250,000 in FY22-23 for IT costs related to unemployment benefits system changes in order for implementation to be complete by December 1, 2023.
- This legislation may result in additional increases in expenditures for subsequent IT system changes for the Department; however, such expenditures will account as revenue to the STS, so the net impact upon the state is estimated to be not significant.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Commerce Impact – Due to multiple unknown factors a precise impact on business revenue and expenditures cannot be quantified with reasonable certainty.

Assumptions for the bill as amended:

- It is estimated that this legislation will result in a decrease in business revenue as a portion of the unemployment insurance payments would have been re-spent in the economy.
- The applicable unemployment premium rate is determined by the premium rate table utilized, determined by the balance in the Fund as of June 30 and December 31 of each year, as well as each individual employer's reserve ratio.
- As of January, 2021, the Fund had a balance of \$1,108,533,895, and rate table 6 is applicable. Rate table 6 will continue to be applicable, regardless of this legislation.
- Based on information provided by the Department of Labor, this legislation may result in lowered premium payments for businesses for unemployment insurance.
- The amount of any such decrease is based upon multiple unknown factors and cannot be estimated at this time, with any reasonable certainty.
- No significant impact to the number of jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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